

Alternative Finance in the Americas

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How people is accessing to financial services?

Access to credit

	LAC	Belize	Haiti	Jamaica
Borrowed any money	33%	52%	48%	45%
Borrowed from a financial institution	11%	14%	5%	11%

Source: Findex 2015, World Bank

Digital payments

	LAC	Belize	Haiti	Jamaica
Used debit card to pay	28%	6%	2%	25%
Used credit card to pay	18%	7%	2%	10%
Used internet to pay	7%	5%	3%	10%

Source: Findex 2015, World Bank

What is AF/crowdfunding?

- **Small amounts** of money
- Collected from a large number of individuals or organizations, to fund a project, a business or personal loans
- Through an **online web-based platform**

Prevailing models

Non-Financial Return Models	
Donation-based	Reward-based
Financial-Return Models	
Loan-based/Peer-to-Peer Lending	Equity-based



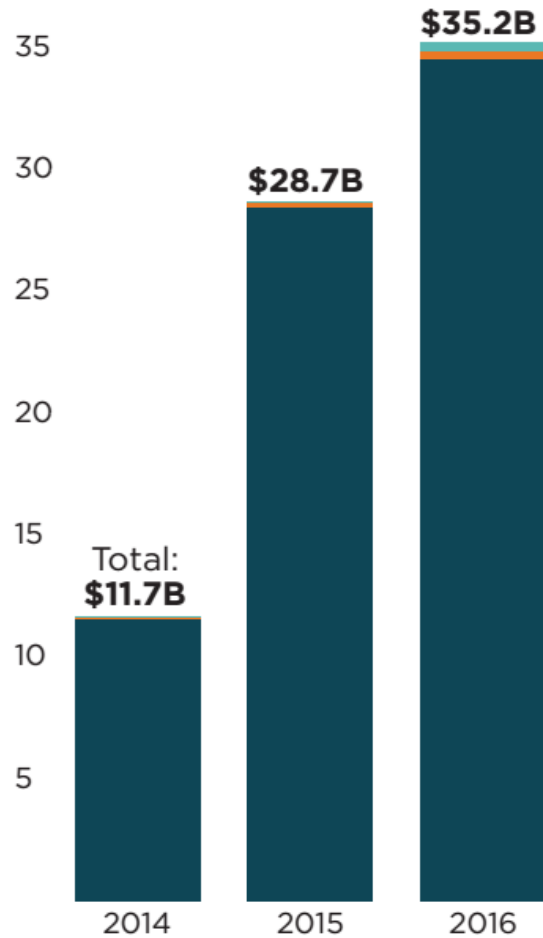
Business or consumer lending... secured and unsecured debt-based transactions between individuals/institutions and businesses

-> Orthodox models, or sometimes called “community crowdfunding”

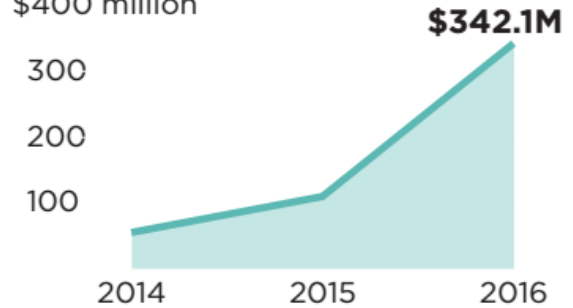
-> Sale of registered securities, by mostly early-stage businesses, to sophisticated, institutional and retail investors

Market size in the Americas

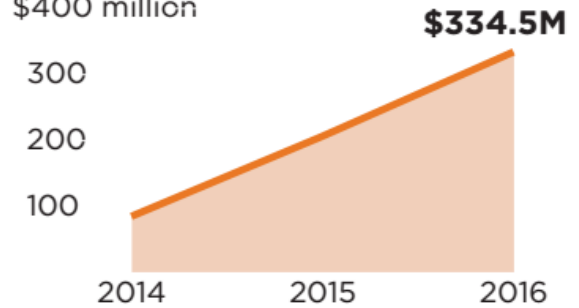
\$40 billion



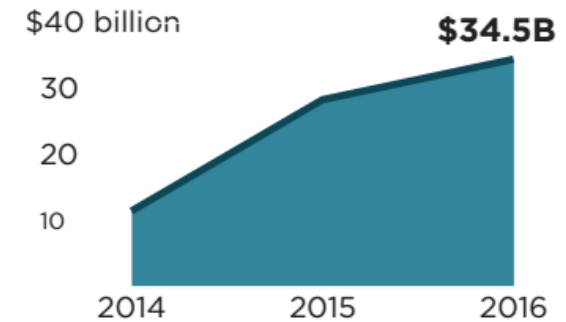
\$400 million



\$400 million



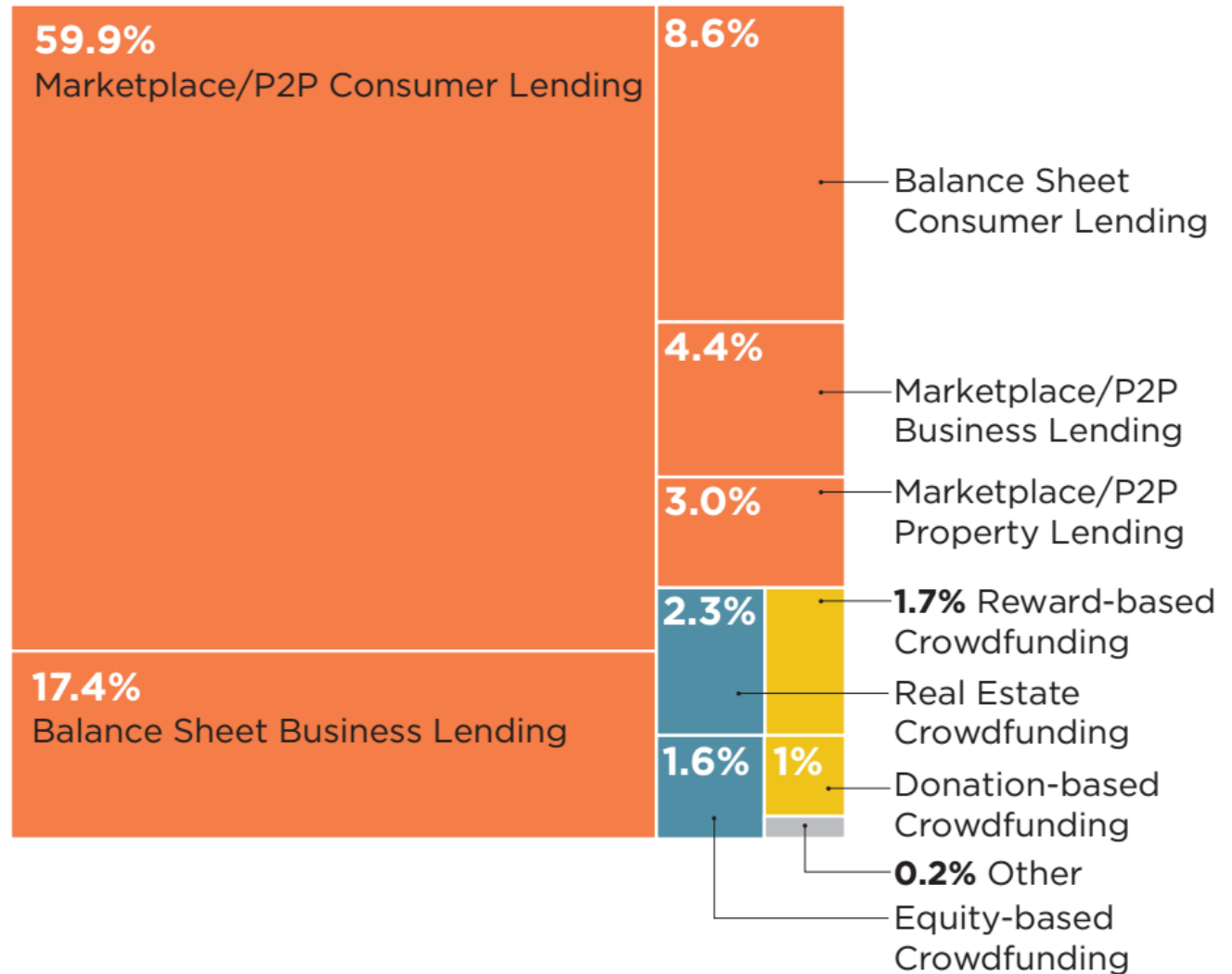
\$40 billion



Source: The 2017 Americas Alternative Finance Industry Report

Market share by model

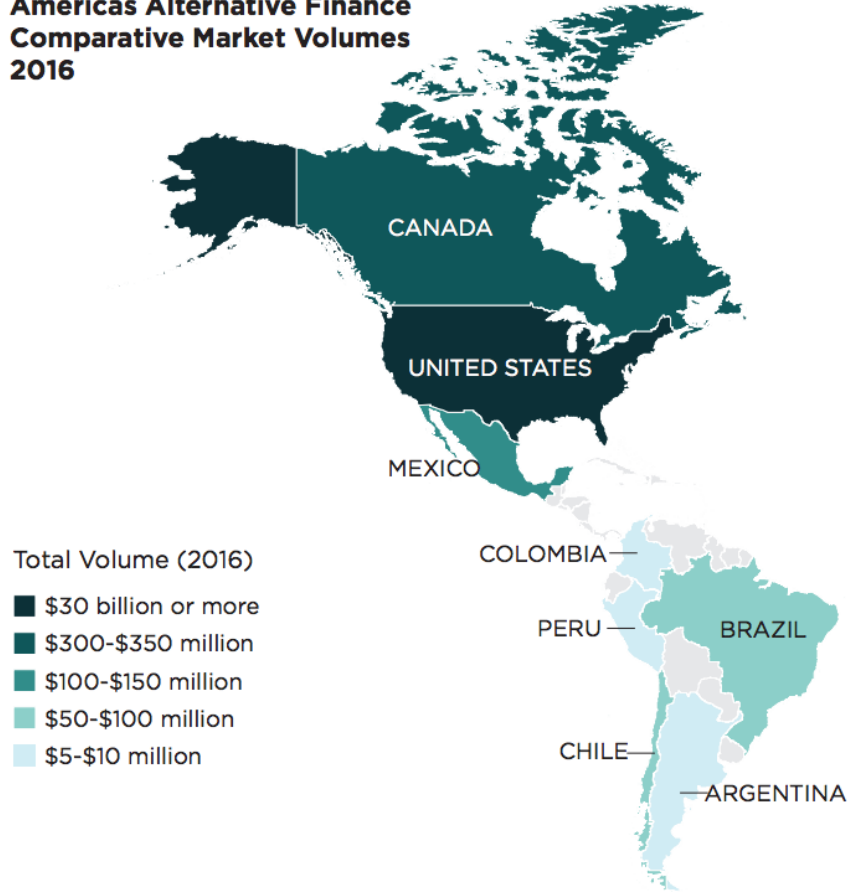
2016



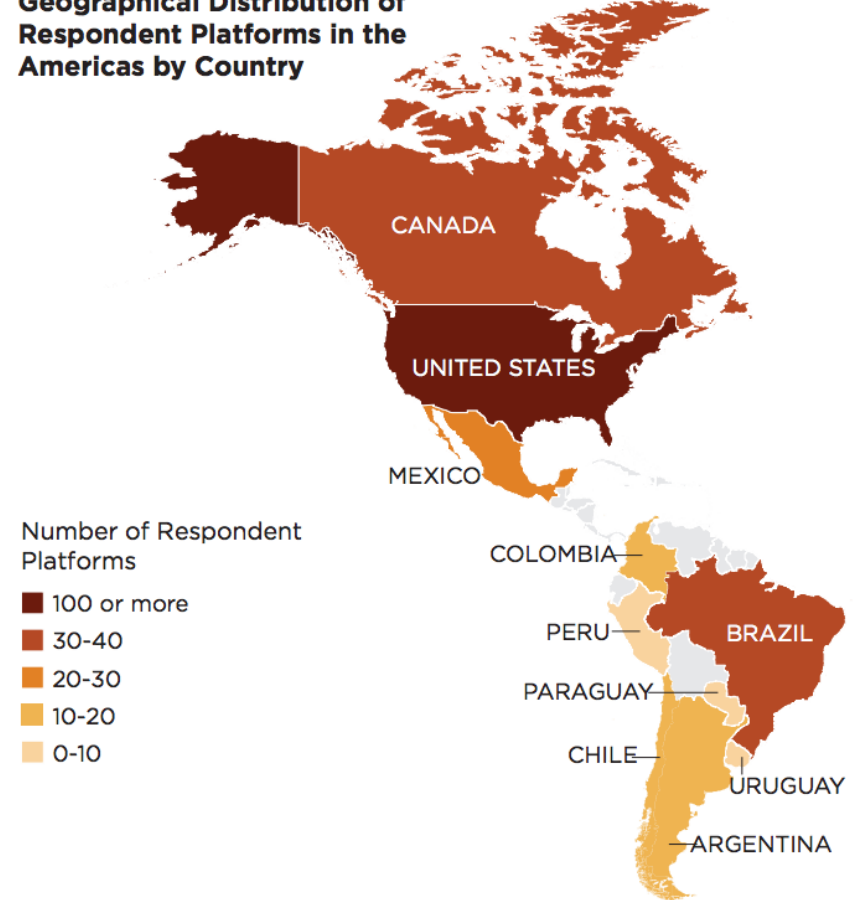
Source: The 2017 Americas Alternative Finance Industry Report

Geography of alternative finance

Americas Alternative Finance Comparative Market Volumes 2016



Geographical Distribution of Respondent Platforms in the Americas by Country



Top funded industry sectors

United States	Canada	Latin America & the Caribbean
Real Estate & Housing	Technology	Technology
Technology	Community & Special Enterprise	Business & Professional Services
Food & Drink	Food & Drink	Manufacturing & Engineering
Film & Entertainment	Internet & E-commerce	Construction
Retail & Wholesale	Retail Estate & Housing	Other

Source: *The 2017 Americas Alternative Finance Industry Report*

Benefits

- Fills a gap left by banks
- Lower cost and speed of deployment of capital to business and retail customers alike
- Portfolio diversification for investors with different financial instruments and channels
- Cost efficient and convenient
- Increased competition in finance and investment, traditionally dominated by few providers

Risks

- **Lack of regulatory clarity** – lack of clarity on oversight and rules in most jurisdictions
- **Information accuracy** – Insufficient, omitted or the cherry-picking of information, leading to a potentially misleading or unrealistically optimistic impression of the investment
- **Default and business failures** – lack of historical data for crowdfunding asset performance
- **Platform failure** – well over 4,000 platforms globally, with many that have already shut down
- **Lack of exit option** – at present there is no secondary market for investors using this instrument

Summary of the regulation of AF

Regulatory regime	Description
Banking regulation	Regulates AF platforms as Banks
Soft or gradual regulation	AF lending requires registration and other requirements. Different layers of approval in order to get authorizations.
Exempt/Unregulated	Either the regulation has classified AF as exempt, or there is a lack of definition in the legislation
Prohibited	AF is banned under legislation
United States Model	2-tier system. Requires platform registration with the SEC, and applying for a license to conduct business on a state-by state basis

Recomendations for regulation*

- Define the subjects of supervision and oversight
- Define a taxonomy
- Provide a definition
- Establish an authorization regime
- Establish minimum capital requirement
- Due diligence
- Conduct of business
- Financial consumer protection

Thanks!